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"THE SPIRIT FOR 1976"

by

Charles H. Ingraham  
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Business Management

The ultimate authority for management, of a corporate business, cooperative, or general rests with the owners or stockholders. The owners or stockholders of a corporation select and elect a board of directors. From the viewpoint of the law, the board of directors are the real head of a corporation, and occupy a position between the stockholders and hired management.

The board of directors is not only charged with the responsibility for exercising all the authority of the corporation, its management, the safeguarding of its assets, and the conduct of its business, but the board of directors is, in fact, the only ones in whom this authority is vested.

All the corporate powers of an association, other than those specifically conferred upon members are vested in its directors. In general, it is the responsibility of directors to direct and supervise in a fundamental way the activities of the association.

In these dynamic times, it is a tremendous challenge for farmer directors of cooperatives to be sufficiently informed to make sound policy decisions that will move their cooperative toward their major objective. To assist farmer directors of cooperatives in preparing themselves to more efficiently discharge their responsibilities, the Ohio Council of Farmer Cooperatives and the Ohio Cooperative Extension Service has jointly sponsored Cooperative Directors Clinics.

A special clinic is planned each year for those farmer directors of Agricultural Cooperatives who have completed the three day basic coop directors clinic. The theme of the 1971 clinic was "The Spirit For 1976." Included in this publication are the papers presented at the 1971 clinic.

"1976 MODEL COOP"  
by  
Martin A. Abrahamsen  
Deputy Administrator  
Farmer Cooperative Service

I appreciate this opportunity to meet with you and explore the challenges that confront cooperatives in the 70's.

As we look at the operations of cooperatives, it is becoming more and more obvious that they are an important part of our economy. They don't exist in a vacuum. In fact, they influence and, in turn, are influenced by the agriculture and the general state of the economy in the areas in which they operate.

Benchmarks For Viewing The Challenges  
Confronting Cooperatives in the 70's

I make no claim to having a crystal ball in speculating with you on what is ahead for cooperatives in Ohio and for that matter in the United States. I find myself, however, in agreement with the noted Norwegian playwright and social philosopher, Henrik Ibsen, who said: "I hold that man is in the right who is most closely in league with the future."

Ohio's Agriculture

A brief look at Ohio agriculture and the performance of your cooperatives can give us some benchmarks for examining the challenges that your cooperatives are likely to face in the decade ahead.

Agriculture in Ohio has made breathtaking strides during the past quarter of a century. I see no reason why the next quarter of a century should be less breathtaking.

Let us now look at specific changes in Ohio agriculture.

-- Yearly butterfat production per cow has increased from 189 pounds in 1944

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A talk given at the Advanced Cooperative Directors' Clinic, Columbus, Ohio, February 16, 1971.

to 360 pounds in 1969. This is an increase of 90 percent.

-- During this same period, yearly egg production per layer has increased from 159 to 226 -- an increase of 42 percent.

-- For corn yields, the story is much the same. When I taught vocational agriculture in your neighboring State of Wisconsin, average corn yield ranged from 25 to 30 bushels an acre. Ohio now averages 85 bushels per acre and many of your farmers have yields twice this high. I understand yields of 300 bushels have been obtained and our scientists tell us that it is not unreasonable to anticipate yields of 500 bushels an acre in the foreseeable future.

-- While I do not have the precise information for Ohio, I am told that number of pounds of feed now required to produce a pound of broiler meat has declined from about 4.0 pounds to 2.4 pounds -- a decrease of 40 percent during this same period.

These are but a few examples of some of the very important developments resulting from research and the application of improved production practices that have made their influence felt in your State during the past quarter of a century.

Economists in the Department of Agriculture tell us that, in general, agricultural productivity in the United States has been increased at the rate of 5 percent a year. This is approximately double that achieved by industrial productivity during a comparable period.

#### Ohio's Cooperatives

Let us turn from these broad agricultural developments and see where Ohio cooperatives are today. I'd like to also briefly look at the road they have traveled in getting where they are.

-- I am sure it is no news to you that Ohio is an important cooperative State in the nation. In 1968-69 you ranked 12th in total number of cooperatives, 8th in total number of memberships, and 8th in total volume of business.

-- You reported for that year 216 cooperatives with a membership of 252,000 and an annual volume of business of nearly \$800 million.

-- During that year, Ohio accounted for nearly 3 percent of all marketing and purchasing cooperatives in the United States, about 4 percent of their total memberships, and 4 percent of their total business.

-- Cooperatives in Ohio have been particularly important in four areas -- dairying, grain, livestock, and farm supplies. The latest information assembled by our agency, Farmer Cooperative Service, for Ohio showed that:

- . In 1968-69 your 26 cooperatives handling dairy products reported an annual volume of business of \$186 million.
- . You had 158 cooperatives that handled grain and related products amounting to approximately \$151 million.
- . A total of 5 livestock cooperatives in the State reported an annual net volume of business of about \$169 million.
- . You had 206 supply cooperatives that reported an annual volume of business of \$113 million.

-- To put this another way, Ohio ranked 4th among all States in cooperative sales of livestock and livestock products, 8th in its cooperative sales of dairy products, 8th in the cooperative sales of grains, and 12th in the cooperative sales of farm supplies.

-- A look at important farm products marketed and farm supplies purchased shows that the percentages of the total business in the State were:

- . Dairy products 69 percent
- . Grain and related items 40 percent
- . Livestock 40 percent
- . Farm supplies 20 percent

#### Challenges Ahead

With this background, we are now ready to look at some of the specific challenges

that will face cooperatives in the decade of the 1970's. While the challenges are many, and often quite interrelated, this morning I will identify eight as being of special importance. Let us now consider these.

#### To Be Understood

The first challenge I will discuss concerns misunderstanding on the part of many people about cooperatives and how they operate. Let us briefly identify the more important of these misunderstandings.

-- Cooperative objectives are not fully understood. The basic goal of cooperatives is to benefit members -- those who use, own, and control them -- by increasing member net income.

Cooperatives do this by getting members more for the products they sell and by enabling them to buy the production supplies and services they need at the lowest price possible.

There is no sound basis for taking issue with these objectives. Increased income adds to the farmers' profits and, as such, is the very same objective that characterizes other business efforts.

-- The tax issue of cooperatives is a muddled one. Let me say first that much of this is due to unfortunate terminology and cooperative spokesmen no doubt at times have contributed to this. Too often they have spoken of profits and net income when the cooperative has in fact had a prior obligation to return all net savings to patrons.

More and more it is recognized that cooperatives pay substantially the same taxes that other business firms do. They pay the same property taxes and quite often are the biggest taxpayers in the community. What is more, if they operate in such a way as to truly have an income, they actually pay income taxes the same as any other firm. To say that cooperatives are "exempt" from the payment of

income taxes then is really a misstatement.

When a cooperative allocates its savings, however, these savings are taxable to the individual members receiving them.

I should emphasize that this is not unique. It is essentially the same type of a tax structure that prevails for partnerships, perhaps the most numerous of any type of business in your State. It also is a technique that is available to any business that might choose to operate in that way.

-- A common misconception is that cooperatives are exempt from antitrust laws. This has been succinctly answered by Lyman S. Hulbert, often referred to as the "dean of cooperative legal authorities," who says "the fundamental and basic weakness in this idea is that it is not so."

True, cooperatives are not subject to antitrust provisions because they get together to organize. There is no reason why they should be. But once they are a going concern they are subject to the same antitrust provisions as are other types of business.

-- Another misunderstanding is the often repeated idea that small cooperatives are all right, but there is no justification for them to become large. This in reality is just another way of saying that competitors don't want cooperatives to follow the same practices that have made other businesses successful. With the tremendous concentration of business efforts resulting from mergers and consolidations, to oppose such action by cooperatives would be highly discriminatory and unrealistic.

-- Finally, many members of cooperatives don't appreciate how, through their own business organizations, they have increased their income, developed market outlets, and provided necessary competition. The member who today takes cooperatives for granted does not understand what his father understood so well; namely, where he would be today if he had no cooperatives to serve him.



To recognize the interrelationship of economic, social, and political forces.

These forces are constantly bombarding cooperatives in many and complex ways. When I first came to Farmer Cooperative Service I often heard cooperative leaders express the view -- "Just leave us alone, we can solve our own problems."

I suggest to you that this was most unrealistic, and still is. In many respects what a grain cooperative in Wood County will be doing and how it will operate in the next decade will be influenced to a much greater degree by what is occurring in Tel Aviv and Cairo, Saigon and Phnom Penh, and in Moscow or Washington than even by events in Columbus.

At the same time we are told that each week one million people are added to the world's population at the same time we are struggling with problems of agriculture surpluses. In fact, the Malthusian specter of population increasing faster than our food supply still confronts four-fifths of the world.

To carry this point somewhat further, we have only to look at our changing national values. As a nation for the first time we are becoming really conscious of pollution of our air, water, and land. As a nation, we also are becoming increasingly aware of the tremendous cost of disease, poverty, ignorance, and crime among large sectors of our population.

I suggest that in the decade ahead, while our efforts may be halting and our accomplishments not up to expectations, there is every indication that this problem will receive more, rather than less, attention.

We have but to call the roll on problems of national scope that are of growing interest to all of us. Such a recital of problems, among others, involve unemployment, inflation, trade quotas, tariffs, population trends and what will or will not be considered nonrelated business of cooperatives.

It is obvious that the days of agriculture's isolation and fundamentalism are gone. Many of the long-established barriers between agricultural and other segments

of our society have broken down. It is becoming increasingly clear that the days of so-called splendid isolation are over.

Farmers, other rural people, and urban citizens are becoming more and more aware of their interdependence upon each other. They also are gaining a more mature understanding of how our economy operates and of the role of government in our economic and social structure.

The conclusion is inescapable that we are living in a period where agriculture will need allies and in a period of interrelations of social, economic, and political forces that are challenging the best thinking of cooperative leaders.

To determine and properly evaluate the impacts of technology and research on agricultural production and marketing and then adjusting the operations of cooperatives accordingly.

I have already referred to tremendous changes that have taken place in the agriculture of your State. Your grain farmers operate larger units, their production is up, modern equipment speeds up harvesting, and capital requirements are greater.

Equally as significant are changes on the drawing boards or actually taking place in our marketing practices. The impacts of many of these, however, as yet are not fully appreciated.

Marketing channels are changing as large country elevators and sub-terminals increase at the expense of small local elevators. More and more we are bypassing terminal markets.

The firms with which cooperatives deal become larger.

Exports are increasing.

Rail rates are changing and often rail services are declining.

Let's look closer at the impacts of changes in transportation. Abandonment of branch lines is hastening merger among local elevators. Increased emphasis is placed on mini-train and bee-line transportation arrangements. Changes in

rate structure will influence whether grain from the midwest moves to western ports or through the Great Lakes or down the Mississippi.

We see more emphasis on owning and leasing transportation equipment and on developing a coordinated transportation system that will provide backhauls.

While it may be a cliché to say that cooperatives need to maintain their role as pace-setters, it was never more true than at present. If members are to be served to greatest advantage, cooperatives will need to undertake the research and provide the leadership to shape their economic and political destiny rather than merely answering such challenges as occur.

To adjust and integrate operations so as to compete effectively with or work with large private integrators who contract with farmers for products and provide expanded marketing and other services.

Much has been said about economic integration and its impacts on agriculture. We have observed inroads on cooperative effort in broiler production and in live-stock feeding.

Perhaps even more significant trends are taking place in food processing and food production. Large firms frequently referred to as food converters are integrating their operations and preparing food in ready to eat form for the use of eventual consumers. It is estimated that one-fourth to one-third of the food now is prepared in this way.

In evaluating the impacts of integration on cooperatives, and this certainly applies to grain cooperatives as well as others, leaders are confronted with the challenge of determining how best to adjust to these changes. The alternatives are many.

They can, of course, ignore them, as some will. Their cooperatives may not be here, however, when the decade of the 80's opens.

They can seek to provide highly integrated services such as Land O' Lakes does. Here we have a combination of supply and marketing activities and of

processing agricultural products and moving them on through marketing channels.

In some instances, cooperatives may work out joint arrangements with processors of other cooperatives.

Indications are that in the next decade we may see these developments carried much further. The jury is still out on the degree to which cooperatives integration will bring this about or whether a joint cooperative-private-merchandising venture may be the answer.

In any event, the impacts on our marketing structure are tremendous. Cooperatives will find that in the future they will need to be much more responsive to consumer interests. They will need to provide the type and quality of products consumers desire.

Rural people have been quite traditional in years past in accepting change and recognizing the need for adjustments. But they are now coming to realize that the economic and social tools we used 25 or 50 years ago are totally inadequate to deal with the business environment in which they find themselves today. In fact, these tools are as inadequate as the technical and biological knowledge we had 25 or 50 years ago would be in dealing with production marketing practices for the needs of today.

To provide farm supply services for members who are faced with shortages of labor and capital in their farm operations.

These shortages are likely to more and more demand custom services -- for example, soil testing and bulk blending, liquid fertilizer and pesticide application and designing plans for farm buildings and their construction.

Cooperatives, either through ownership, loan, or rental of machinery and equipment and through production counseling by fieldmen, are expanding services to members.

Also, the growing need for production credit services has resulted in organization of a number of subsidiary credit corporations.

To develop effective communication programs as cooperatives become larger and operate over larger territories.

Cooperatives presently are dealing with many publics. In the farming sector this includes members and potential members. In the business sector, it includes competitors and business firms with which they may have close operating relations. It also includes educators and legislators.

If we are honest, we will admit that there still is much economic illiteracy among the different cooperative publics.

With so many and such varied publics, it becomes increasingly obvious that cooperatives will need to give more attention to developing techniques of effective communication. This calls for more effective use of membership publications and other communications media for keeping their publics better informed.

To recruit and train competent employees.

A look at the operations of cooperatives indicates that employee turnover is high. This is true in all levels of employment.

Data assembled by cooperatives indicate that it takes approximately \$800 to break in a new man on the job. This is a direct and costly expenditure. To the extent that cooperatives can reduce their costs through effective training programs, members stand to benefit.

Recently in working with one of the regionals it was estimated that if training could reduce turnover by only 20 percent among its local affiliates, this would save farmers an additional two-thirds of a million dollars a year. In turn, savings resulting from better on-the-job performance would in all likelihood be equally as important.

In any event, it is obvious that cooperatives need to upgrade the level of their employees. The man who works in the warehouse or the grain elevator is the cooperative as far as the patron is concerned. He looks to him for advice

and guidance. Such demands on employees call for a high degree of competency. Many cooperatives have failed to meet their responsibilities in this area.

From a managerial standpoint, good management means managing the resources of the cooperative -- the people, the capital, the facilities, and the products that they handle. It is generally estimated that perhaps not over one-fourth of the cooperatives are doing a really outstanding job.

I ask you where farmer cooperatives would be today if effective recruiting and training had improved performance so that we would be justified in saying that 50 or 75 percent of all cooperatives are doing an outstanding job.

To recognize responsibilities as community citizens.

I have already referred to the fact that cooperatives cannot lead an isolated existence. But I believe they need to go further.

Rural America is in flux. More and more cooperative leaders have come to recognize that they have a responsibility for building and maintaining rural communities. In many instances, especially throughout the Middle West, cooperatives are the most important business in a community. They are in a position to have a very profound influence on whether or not a community will be in existence at the end of the decade and how effectively it will be serving rural people.

Finally, as community citizens, I suggest we look at the potential role of cooperatives in policy formulation. By this I mean they can and should participate in seeking answers to basic agriculture issues. As cooperative leaders are often community leaders, they are in a position to speak for their cooperatives on basic problems of agriculture. Cooperatives need to be continually alert to the importance of helping create the political and social environment favorable to their distinctive form of business enterprise.

As I see it, this can only be done by actively participating in shaping the direction and development of policy toward cooperatives. If cooperatives fail to express themselves on these and similar subjects they will find others more than willing to fill the vacuum. Under such circumstances the results may not be pleasant to cooperative leaders or to the members they have a responsibility to serve.

Like Priscilla's John Alden, I believe cooperatives will need to speak for themselves.

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To summarize briefly, I have identified eight challenges confronting cooperatives in the 70's. They are:

1. To be understood.
2. To recognize the interrelations of economic, social, and political forces.
3. To determine and properly evaluate the impacts of technology and research on agricultural production and to adjust their operations accordingly.
4. To adjust and integrate operations so as to compete effectively or work with large private integrators.
5. To provide services for members who are faced with shortages of labor and capital.
6. To develop effective communication programs as cooperatives become larger and operate over larger areas.
7. To recruit and train competent employees.
8. To recognize responsibilities as community citizens.

I have confidence in the ability of cooperative leaders to deal effectively with these and other challenges as they confront them in the 70's.

"BARGAINING IN 1976"

by

C. William Swank, Executive Vice President  
Ohio Farm Bureau Federation

Bargaining is a part of the future of Agriculture. The question is, whether we are going to be bargaining for a price in contract terms, or are we going to be bargaining for wages or piece-rates in Agriculture. I think we will bargain not because we want to, but because we have to. That's a little sad, but our motivation may be a little stronger later. Bargaining will not be for every commodity; grain commodities will be ~~last~~, I would guess. Soybeans will probably be the grain that is the first of the last.

We won't replace operating businesses, and we won't replace operating cooperatives with bargaining. As a matter of fact, we may enhance the role of our farmer cooperatives if bargaining comes into play the way I think it may, and the way that I think it should. We are going to have more cooperatives involved in processing and food manufacturing--perhaps as a result of bargaining. After a time in bargaining, farmers are going to say, "Gee that is not enough; we want a bigger piece of the action than this." We are going to be motivated by another thing--we are in a race between the big business firms that want to integrate backwards into agriculture and farmers who feel the need to integrate forward into operations.

Frankly, the smart money is not on the farmer. The smart money is on the big business firm. When I say the smart money, I mean the guys who have it. They are not betting on you. They are betting on the big firms, like Ralston Purina to get there first with the most. If big business wins the race, we will be bargaining for piece-rate wages rather than on contract terms as we do in some of the places where we have bargaining going on.

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A talk given at the Advanced Cooperative Directors' Clinic, Center For Tomorrow, Columbus, Ohio, February 16, 1971.



The most exciting thing going on in Agriculture is not technology, even though it is dramatic. The most exciting thing going on for me is the attitude change in the values of a farmer himself. Because he is finally saying, "Tell me again how to make some money in this business, and how we really get paid for all we risk and all the work we do rather than just this haphazard way we have gone about for almost centuries." The farmer says, "Tell me again how you can change production just 2 percent (if you do it across the board) and increase profits 33 percent to farmers." If it was that simple, we probably would have done it long ago. It's not a simple thing. But the power in Agriculture is there to do that very thing. We have the research to show it. We just don't know how to do it. And we haven't tried! We are the last segment of society that has not moved in this direction. Business firms can administer their prices, and they can adjust their production to the demands that are there. Sure, there are people laid off and out of work. We carry them as society, through unemployment and welfare.

#### Professionalism

The professions shorten up supply every way they can, only they call it "professionalism". They raise their standards. They have the Bar Association, and the Medical Association, and the Accreditation Program for Teachers, the Nurses Registry, and so forth. Labor has a way to shorten up the supply of plumbers and electricians and get that \$10 an hour. Some of them are out of work, or they may work only a few hours, but the price is there because they have found a way to increase the price of their product by shortening up supply. It is all done for a good noble cause.

We will have a good noble cause, too, through bargaining. We'll use the business contract to control production. That is the only way that I can see it happening. The noble cause to the public has to be that we feed the people.

Also, you don't want just any Tom, Dick, or Harry handling pesticides and all that. You have to have a reason that is acceptable to the public.

The 33 percent in profit that would be possible with a 2 percent change in production across the board, would only cost the housewife 2 1/2 percent more for food. The power is there. The question is, are we going to get on with bargaining in Agriculture in a meaningful way, and not just for the air and talk.

There is nothing magic about it. Bargaining alone can't control production, in my opinion. It is the business contract that has to control production or some combination of business contract and a law that says, those of you who are in the business have earned the right to stay in the business.

If you don't believe in this then don't talk much about bargaining because we are not going to do it. Inherent in all of this, is a feeling that those of us who are now producing have earned the right to continue producing and raise our professional level, and maybe raise our price. We are serving the public, and we will be simply doing what every other segment of society has done. That is to say, if you are going to be an attorney, don't just let everybody be an attorney because they are dealing with your livelihood and all that. Don't pity the surgeon because he works so hard, and don't pity the medical doctor because you can't hardly get to see him unless you make an appointment to get an appointment. They have a noble cause as far as I am concerned, and we are just now waking up to the fact that one reason we don't have enough doctors to go around is that the doctors have it all wrapped up in their own hands and have kept it there. If you don't believe in supply and demand, forget bargaining because it is all based on supply and demand. Every speck of it. Bargaining says let's get the supply in our own hands and hold it there while we talk about the price. Supply and demand is involved in the bargaining situations for the teachers' wages here in Columbus, and wherever you live it's involved in the medical services, and everything else, and

it's obviously involved in Agriculture.

What Commodities are Bargainable?

I think that you can see that it's not every commodity. Probably not the commodity you are producing. We are not there yet in the grain business. We're not there yet in the livestock business, but we are getting there. The thing that worries me is that we won't do what is necessary to handle the situation until it is too late. Then the bargaining will be for piece-rate wages and not the business kind of thing that I think most of you would like to deal with.

I would like to mention two or three items that are important for you to see if we are talking about what is a bargainable commodity. This is an inadequate central pricing system. The grain trade has an adequate central pricing system even if you don't like the price. The Board of Trade does represent an adequate pricing system. But we don't have one for eggs, for poultry, and we are losing it in livestock. If you have few market alternatives, then you move toward a bargaining situation. If you have many buyers open to you, why would any of you tie up with one buyer if you could have a dozen to bid on your product? Regardless of the contractual relationship, verbal or actual, I don't think there is going to be bargaining if there are dozens of buyers. It's haggling; it's part of the business that we do; but it's not bargaining like we talk about into the future. Unless that contractual relationship is based upon some history of good relationship, then I think again we are just talking. In the Food and Vegetable industry, where we have had most experience, there is a history of relationship between a company and a farmer. The farmer says, "Yes, I intend to grow tomatoes for you, or grapes for you, or some cucumbers for you for a number of years." And the company in fact says, "I intend to buy from you." It's an historical relationship that may have to be there. We may have to develop some of these if you want a bargaining situation in cattle and hogs, because hogs and cattle are coming out under contract.

### Objectives of Bargaining

We get mixed up on the objectives of bargaining. The objective of bargaining has to be price strategy, not high price. Everybody loses that thought if they think about it at all, because they say, "Well, bargaining that means like labor - that means you increase price every year." That's wrong! We have to talk about price strategy, and that is where a representative industry group can determine that the price of milk (to sell as much milk as we want to sell) ought to be only \$7 a hundred and not \$9. Because this is the way business operates. You can price a Chevrolet at most any price you want. General Motors tries to price it at a level where they think they will sell the most Chevrolets and get the most profit. That is price strategy. If we ever get the bargaining situation and if it ever becomes national, which I believe it will, then we can engage in price strategy, and not just in talking about high prices all the time.

What are bargainable commodities? Remember a few principles. Is there an adequate pricing mechanism? Are there a few buyers, or many, many buyers? If there are many, the farmer himself is not going to give that situation up. Is there a history of some kind of contract that both sides are willing to live up to?

### Need for New Legislation

Another need is the need for new legislation. Without it there are no rules in the game. Without legislation, we don't know who the players are, and if there are players, if they will play. We have processors here in Ohio who say that they will never, never, bargain with anybody.

So, this analogy on the front part says, we ought to have a new law that accredits bargaining associations. Not you people unless you are interested and ready, but when you are interested and ready. Then there will be a way to decide. Do you, in fact, have a team that is ready to go? That is worthy to present itself

to a buyer and say we represent enough of the production that has traditionally gone to your plant that we ought to talk about it? The law should define who is who, for example, who are the handlers, who are the groups of producers? It would not say that cooperatives should not have to bargain with themselves, but as I pointed out to George Greenleaf a moment ago, we do believe that cooperatives who are buyers of products have to pay at least the going price. Otherwise you give an unfair advantage to them. The law would indicate when negotiations will take place.

Having spent some 15 years personally in the negotiating game, it's a waiting game. And, if you wait past May 15 for tomatoes, forget it. If you wait past the time when grapes have to come to market for grapes, forget it. And by the way, we have doubled the price of grapes in three years in Ohio and virtually set the price for Concord grapes in the United States. That's what bargaining can do, if you have the right situation.

#### Industry Regulations

Also, bargaining can be good for a while and then be slowed by the fact that you do nothing about regulating your industry. The growers in California are now experiencing that. The almond growers have more nonbearing trees now than they have bearing trees. And the cooperatives own and control 90 percent of the whole thing. So, just having all of it in a few hands doesn't solve the problem. If you don't do anything about supply, control through business contract or some other means, don't talk about bargaining - you don't mean it. You don't understand it in my opinion, and that is even worse.

We are saying that there needs to be a board that does accredit certain people and does say here are the rules to be followed, and if you don't follow them, you are in violation of the law. The board would say you have to bargain in good faith - it wouldn't say what price. It would say, if I had my way, that while you

are dealing with a bargaining group, the company doing the bargaining is not free to go out and pick off every Tom, Dick, and Harry outside the bargaining group. That is the obvious means to break it all apart.

Bargaining for Agriculture is not guaranteed, but it is going to come. The biggest question is, is it going to be for business terms or for wages? Is it going to come in time that you can operate under it if you want to? Are we going to have legislation that helps us like the Wagner Act helped labor? All labor had before the Wagner Act was a bloody fight. All we had before the Federal Order System in the milk industry was chaos. All we are going to have in the industries that want to bargain without some law is economic pain to both the processor and to the farmer.

Bargaining has to be national, because we are in a national market. If you get your price up, and you let the product come in from Canada, or somewhere, then you lose. It is a new ball game; it has some risk in it. And you are saying to a farmer, "Yes, we are really talking about you turning your whole income over to a third party group." Nobody does that lightly. I understand this.

Think about bargaining when you think about the future of Agriculture, but don't throw away what you have. Don't let anybody kid you that cooperatives have failed when they say, "Cooperatives haven't done anything, look at the price." That's wrong, wrong, wrong! Cooperatives have done everything that they have been asked to do, and they stayed out of what you told them not to do. Remember, right in the contract it says, "We, the cooperative, will receive all you bring to market and sell it." The cooperative sells it, but they have to sell it at whatever price an over-supply can bring. The milk cooperatives haven't suddenly gotten smarter, haven't suddenly gotten stronger, and the manager who is still there didn't suddenly get wisdom from on high to get the price of milk up. The milk industry is working from a shorter supply and milk cooperatives are bargaining with skill and experience.

We have a lot to learn about bargaining in Agriculture, but the challenge is to implement what we already know. This must include what we know about farmers, what we know about marketing, and what we know about the competitive factors in the industry. Bargaining has made a brave beginning and it has a long and exciting way to go.

"SERVICE COOPS IN 1976"

by

Max Drake, Manager

N O B A, INC.

In the beginning, there was the land, few people and mostly Indians. At the height of the Indian population, this land of ours supported about one million people and many times, of course, going through famine in which many were killed off. Then, came the farmer, who settled on and cultivated the richest land available. The farmer was surrounded by his friends and so developed the community and the villages and the towns and the cities. And this was progress, and this was civilization. And the ever-increasing community constantly demands fantastic increases in agricultural productivity which must be done on increasingly poorer and poorer land.

The farmers have cooperated in many ways many years before there was such a thing as a legalized cooperative. Now, if you want to think back briefly to the ole husking bees, the barn raisings, and this type of thing, these also were cooperative efforts on the part of farmers simply trying to help each other out. My dad and mother and I'm sure many dads and mothers of most of you folks were among the really early pioneers in forming cooperative activities. I remember when a group in our community through the Grange used to buy a carload of coal; we would all go down to the car and get our share off that carload. I remember well some of the earliest Farm Bureau fertilizer that we had to take out back of the barn and break up before it would go through the drill because it had hardened on us. We took it back of the barn so that our neighbors didn't see us, because they knew that cooperatives couldn't work anyway. Well, their's was a fierce loyalty to the cooperative; something which in my opinion has long since been lost.

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A talk given at the Advanced Cooperative Directors' Clinic, Center For Tomorrow, Columbus, Ohio, February 16, 1971.



I'm sure that cooperatives have come a long ways, in these 40 years or thereabouts; but when we look at the service cooperatives, but I'm not sure how you really define these, I am reminded a little of Henry Ford and Charlie Wilson. Charlie was with GM and they were speaking in front of the American Bankers' Association in Washington, D. C. Charlie Wilson at that time was really plugging the Chevrolet, of course, in competition to the Ford. That night he spent most of his time, 30 minutes, talking about service. He said, the one thing that we teach everybody from the salesman to the guy who sweeps up in the garages, is service. This is what we have got to have. Henry came on the program. He said, I appreciate Charlie's concern for service. I think it is important. When I was a kid on the farm, we had the only bull in the neighborhood. Whenever a neighbor would bring a cow in for service, us kids were sent to the house. My brother and I decided one day when we saw a cow coming down the road for service, that we would get up in the barnloft, peek through a hole in the floor. Henry said, "Charlie, I want you to know now that I know what you mean when you talk about service! !

I'm sure that general statements are usually inaccurate, so I am going to make two or three. Generally, service cooperatives are more people, than product oriented. Generally, service cooperatives do a small volume of business, small dollar volume, with many people. Generally, service cooperatives spend a greater proportion of their expense dollar for labor, for people. Generally, service cooperatives industries are a seven-day a week activities. It is my opinion that directors of service cooperatives have to make different kinds of policy decisions than directors of other kinds of cooperatives. These policy decisions have to do more with people than with any other thing, because the people render service.

#### A Look at the 70's

In thinking in terms of the 70's and of the service industries, in cooperatives as well as private industries, I'm quite sure that people will continue to want

products and services put in capsule form so they can take them easy. I think that they are going to continue to be willing to pay for these. Oh, they fuss about the price of food, most of which is processed and prepackaged and precooked and pre a few other things. I have never figured out how much a bushel of potatoes is worth when you mash them and dry them. I think the potato chip is worth about \$60. to \$70. a bushel - and that is 30% oil. These are some of the things that we are looking for that people will continue to ask for, demand, and want service.

It seems to me, as you folks have graduated from Director Training Courses, that there's a few questions that you ought to be asking Management. To me, these are some of the things that are important as we look to the kind of service cooperatives that we may have in the 70's.

#### Questions to ask for the 70's

In the first place, what affect will the "age of consumerism", have on your business? We are in the "age of consumerism". There is no question about it. Naderism, the environmentalists, what affect will this kind of thinking, emotional as it is charged up to be, what affect will it have on your particular cooperative? How will you react to it? How will you react to the environmentalists, the land use, air and water pollution, solid-waste disposal and all the others?

What is your market potential now? In other words, how big is your market? Where is it? Identify it. Where will your market be in 5 or 10 years? This is a changing kind of people we have in the United States. They don't sit still; they do change. So, where will your people be in 5 to 10 years?

What percent of the business, the potential, do you have now? How much do you want and will you pay the price to get it? Business does not come for free anymore. How do you plan to get your share of the business? If you have 5, or 10, or 50% now, and if you want another 5, or 10, or 50%, how do you plan specifically to get that business?

What technological changes may affect your cooperative? These are coming so fast. I have had many confidential reports in the last 60 days on technological changes that are going to have an impact in my own particular situation.

Can you add other service lines? Frequently, service cooperatives are a one line business. We breed cows artificially. Boom! That's it. Are there other product lines that can be added? What will it cost to add them? Will it pay you to furnish that kind of service?

How do you face union problems? Are they involved in your cooperative activity? What fringe benefits do you provide? Fringe benefits today in many industries are costing around one-third of the paycheck. How do you look at this in your cooperative? Are fringe benefits important? If your biggest expense is people, then fringe benefits are pretty important. What kind of insurance do you have? What kind of retirement? Profit-sharing, accident insurance, health insurance, what is your stand in this relationship?

Are you big enough to be competitive for the right kind of people? If you are big enough, you'll stay because the right people will help you answer the other questions that I've talked about.

How does your wage and salary scale compare in your community? Is it on a par? Above? Below? These things need to be checked regularly.

What value do you put on cooperative member loyalty? Can you afford the luxury of thinking this is something that you have in this day and age?

I guess my final question would be, is there a merger in your future? The 60's were the days of the merger craze; but if you can't answer positively most of the questions that I have already raised, if some thinking hasn't been done along this line in your cooperative, my guess is there is going to be a merger in your future whether you want it or not. Whether it's good or bad.

I'd like to spend just a few minutes to get a little more specific.

### Dairy AI Industry

If you are in any phase of dairying, this is a little bit of a bleak kind of picture - except if you are milking cows and you're still milking them. We peaked in the United States close to 28 million dairy cows in about 1945. Since that time, you can see what's been happening. And since 1955, a straight-line decrease. Now if you keep that going, it's going to run off the bottom of the chart about 1985. Well, we are not talking about 1985 today, but we can still think what can happen in the next five or ten years. Some figures that I've seen and worked with would indicate that we can expect about 11 million cows by 1980. Why can we get by on so few cows? I don't know that we're breeding ourselves out of business, but production per cow has virtually doubled since AI came into the picture in 1940. You can see that the top line is the average cow on test in the U. S. She has gone from 8,000 pounds of milk to about 12,500 pounds. The dotted line is all cows in the United States which runs a little bit less, but they too have nearly doubled in production.

What has happened with AI in this period of time? The growth years were 1940 to 1945 and then BOOM, BOOM, BOOM! We leveled off at about seven million cows. Our figures are in for 1970 and this has gone up again and we're at about 7.3 million cows now. What percent of the cows are being bred AI? We have gone up, of course, in proportion. As cows have become fewer even though we leveled out, the percentage still went up. Last year again we hit about 52% of the dairy cows on AI.

What about the birth and death of AI studs? We peaked in 1950 at 96 bull studs in America producing dairy semen. Right now the figure is just at 20. I saw somebody the other day that said if you want to think in terms of ~~ma~~ major studs you are thinking about 18. Some folks are saying that they will be down to 6 or 10 in the next 5 years. We need to look around and wonder who is going to be

around by that time. It's not a good picture; and if you are in the AI business, it's one that you have got to look at. Who is getting the business? AI started strictly as a cooperative enterprise, engineered, nurtured and run by the extension service and the USDA. But it was only after about five years of assurance that this thing could work that private interests came in. In 1969 the private organizations were getting 40% against 60% for the coops. As a cooperative manager and interested in coop activities, I think it kind of indicates that maybe we haven't done as good a job as we should have done because somebody else is coming into the picture rapidly.

Now if we lose many more dairy cows and we lost 34% in the last 10 years, we will be down to the 11 million quoted earlier. I don't know where it will bottom out and level off, but we have got some things to think about. What other changes have we got to look forward to? What will happen to herd size? Herd size has just about doubled on the average in the last 10 years and yet we don't have any big herds in Ohio. We have some pushing 200 but these are not very big herds of cattle. When you talk about big herds of cattle, you are talking about the ones of 500, 700, 1,000 or 2,000 head. I'll bet on one that we are breeding all the cows AI the day after tomorrow in Florida with 10,000 cows on it. And do you know that in 10 years, 1100 herds like the one I'm going to be on will produce all the milk that is necessary in the United States?

So there are some changes coming in the dairy industry. Direct service, it's been around a while. We'll breed more cows in Florida next year than we will in Ohio. We have two technicians in the state of Florida. Direct service is the way we have become the dominant factor in the Florida market because we went to the large herds, trained them to breed their own cows, and have had this kind of a program going for many years.

What about estrus control? What affect will this have on our industry?

Look at it! Controls heat. It will be the finest thing in the world. We could automatically pick up about 20% more services because most folks don't breed their heifers in AI. It would be terrific because we could have every other day breeding schedules in our trips and could afford to keep technicians on the job without their kind of petering out in this state.

What about sex separation? This is one of the confidential reports that I will just open up to you. George, you talked about risk. This proposal has been presented to the 18 major studs in the United States. Sex separation bio-control out of California - they say they have got the answer. You can select sex on a 70-30 basis which is a lot better than the 50-50.

How much will farmers pay? How much will dairy men pay to increase their chances to get either a heifer or a bull? You talk about risk capital. For \$125,000 I can get a franchise and that will get me the equipment and know how and about \$4 or \$5 a vial royalty on top of that forever. You just laugh it off and say shucks, it isn't going to happen. You let one of these private organizations decide that this is important and I'll show you an awful lot of coops that are going to be sticking their heads in the sand. On the other hand, if somebody dives into this thing and it turns out to be a fluke and most scientists think that it still is, then you see that risk is important. But you have got to know how much risk to take. What will happen on the day when we have the genetic computer activities? How long will it be before you plug in your whole herd cows known factors about them and come out with taped suggestion of which bull or bulls in the United States to use. What about egg transplant? It's been done. Force the cow to become like a leghorn hen, produce lots of eggs, put them in a test tube, fertilize them and then put them in donor cows. These are things that have some real definite bearing on our specific industry.

### Who's Going to Survive in AI Industry?

If we had gone to look at a picture to see who is going to survive in the AI Industry, I think there are just about four things that can happen to a stud. One, we can increase the percentage of cows bred in our respective areas. Two, we can steal business from others. We have an imaginary line here in Ohio where there are two organizations. Of course, the market potential is U. S. because frozen semen can be any place any time anybody wants it. We can add related services. In the AI Industry we are looking at beef. All major studs are looking at beef. Our 10 year plan that is five years old told us that we would be pretty well down the road in the beef program by now. Well, beef industry is something else again. I'm sure that if there is some beef people in the room you say, that guy's got holes in his head. But, I have got a sneaking suspicion that there has been no real genetic improvement in the beef cattle in the 40 years that I have been batting around Ohio farms. As a matter of fact, we are looking for the kind of bull we got rid of 40 years ago. This is the kind of bull that grows a little faster, gets a little bigger, puts more pounds of meat on per carcass. And here is an industry 2 per cent AI. The most important tool available for improving the genetic capabilities of any kind of livestock 2 per cent. I picked up the Ohio Farmer the other day and this is a college professor, Ohio State University, that wrote this. He says that we have got to have a lot more beef in the next ten years and he suggested a lot of ways but AI is not one of them. He doesn't know there is a tool like this.

### Opportunities In Beef

What are some of the other things that are coming in terms of the opportunities in beef? I suspect the thing that has really jolted us more than anything else has been the exotic breeds. I started to call them the "idiotic" breeds. Then I remembered back about 7 or 8 years ago when Charolais first really hit the scene. Then I said, they will be gone one of these days with the promoters. That breed is

doing pretty well. Our number two services are in our Charolais stud bull today so I don't mean the idiotic bulls because they are the one thing that has happened to jolt the beef industry out of a complacent state of development for at least the 40 years I'm talking about.

The only way you can use the exotics is through AI. The only bull in the United States that is a purebred exotic is at our beef operation in Oklahoma, a beef stud. All the rest of the semen has to be shipped in from Canada so AI is the only one that can use exotics. You say well let's look at the production testing that has been going on. Fiddledee! Production testing beef programs by and large are about where DHIA was in 1940. There is no relationship to them for the most part. They are trying to correlate them but we are working with a testing program of a 1940 model.

What is the opportunity in beef? The opportunity in beef is so great that it is beyond our imagination. Really! There are 10 million beef cows in the area of seven states that we cover. There will be 63 million beef females available for breeding in some method in the 1980's. What are folks thinking about beef? Well, here is another confidential report.

Beef Stock Incorporated. These guys vision on eventually owning 42,000 registered beef females from which they will produce bulls - the best to be used in AI. They are talking about a little lousy \$12 million deal from which they will produce bulls to be sold to breeders and from which they will sell semen. If you are in the PCA business or other financial business, at one point in this 15-year development plan they are talking about loans of \$12 million. I think there are things wrong with it. I'm not really interested in it. But it's what some folks are thinking. To me they are thinking pretty big. There may be other lines that AI studs can find but if not, as I said, they will end up on the hunk heap of progress.



### Summary

Let's look at just a few things that again in my opinion a coop should have to do in the years ahead. We have got to have a knowledge of peoples' needs. We are people oriented. We've got to know what they are thinking, what they want, what their plans are going to be, where they are going to be, etc. You have got to do some of the thinking for them and sell them on some of the things they ought to be doing. This is a part of what cooperatives are all about.

We have got to plan on how much business we want, where it is going to be, and if we have the dollars to develop the business. If you do not have the dollars, there isn't much point in going through the gymnastics of planning it.

One of the most important things is that you've got to keep your organization loose and flexible as well as change. Maybe if I don't say anything else today this is the most important thing. Loose, keep loose! And Lordy if you've got a five-year plan, change it every month or two months a year because if you've got it now, it won't be right next year. You need to keep this kind of flexibility. You must create the changes. You have got to stay close to the frontiers of research and development. It is unfortunate, but I believe that most of us in agriculture, whether on a farm or in agribusiness, have come to the conclusion that all research is going to be done through the University - free of charge - handed to us on a silver platter - and we take it. There is going to come a time when this will not happen if it isn't here already. The funds available to the USDA and to the colleges are in increasingly smaller proportion for research dollars. I was in a firm the other day that spent \$70 million for research. Ten per cent of their gross retail goes to research. What per cent do you spend for research? I bet there are not very many of us that even budget research. What I am saying to you is to expect the best you've got to reap the rewards that research is going to give.

Always look at your management. I think you should evaluate it on its soundness, on its ability to plan, on its ability to execute plans, on its willingness to change, on its willingness to risk the jobs and the cooperative structure just has to be a part of your plans for the future.

Now, the last thing that I would like to leave with you is these are the "consumer years". We have a different kind of community in which we are operating. We have different responsibilities and we have to use the "consumer years" to our advantage. Let's build an image for cooperatives in the eyes of all the consumers. Most cooperatives that do these things will be here for the next session, and those of us that don't I doubt that we will be around in 5 or 10 years from now.

"THE GRAIN AND SUPPLY BUSINESS IN 1976"

by  
George Greenleaf,  
Executive Vice President  
O G F F A

I have ample reason to believe that Ohio Agriculture is No. 1! However, I hope that some of you board members will understand the reasons that make me feel that our Grain Elevators and Farm Supply Centers are a real integral part of why you're No. 1, why Agriculture is No. 1.

Reasons Why Agriculture is No. 1

A recent Farm Journal Editorial gave us 11 reasons for our top flight status. I don't know if I ought to give out all 11 of them, but I'd like to pick out real quickly five of them!

It seems to me that our first one is pretty important these days when we talk about pollution, how everything has gone to the dogs but Ohio State! Food is better than ever! Let's not forget this. You know we keep talking about DDT and mother's milk and I'm afraid that is publicized in part so that somebody can put a dirty picture in a magazine. This is a pretty priceless commodity that we have here. Let's turn our attention to No. 3 - that food prices have increased less. Then, to No. 8 - that farmers net returns have increased less. Let's not forget this thing of productivity, No. 10, which I would like to think our service industry plays a real role. Of course, No. 11 - that farmers are indeed industry's No. 1 customer.

Now, one of the things that many of us do that try and procrastinate coming events are concerned about the limits of reliable data. I am not at all sure that you can look back at the past and suggest what is going to come up in the future.

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A Talk given at the Advanced Cooperative Directors' Clinic, Center For Tomorrow, Columbus, Ohio, February 16, 1971.

In fact, one of the things that always concerns me when I'm asked to do this, and I really try to avoid this unless you get a guy like Chuck asking me. And it is an error that we give you. I think that there is an error in mine as well as in what Martin told you, or what Max tells you, or what Bill tells you. One is that we really do not do enough of our homework. I just came off of a convention and then we went to Pesticide School and if I should suggest to you that I spent more than a weekend getting ready for this, I would be wrong. We protect our vested interests. I'm just the same as everybody else; I am a little biased about country elevators and the area they serve. I try and get the perspective, but I'm sure I have some biases.

And then, too many of us are specialists. Maybe not a specialist in the area that we are talking about. Well, I'm certainly not a specialist in trying to say to you what the next 5 or 10 years is going to hold for Farm Supply Businesses. However, I am going to give you some ideas.

I think some of us have a little anti-science basis. We really don't comprehend the new avenues, the new breakthroughs that are coming; we just don't have the computer to have that kind of vision. Consequently, I am saying to you I'm not sure that all the data and things that we talk about are necessarily reliable but I hope it will stir up some questions for Neilson to answer this afternoon. I don't know if you know it or not but all of us have decided not to say a word. We are going to let Griff give all the answers. He doesn't know that yet, but wait until he gets up here.

#### Agriculture and Pollution

Let's talk about Agriculture and ferment a little bit. The thing that hits me right off the bat is the pollution binge. I was interested when Martin said that he doesn't think that is a passing fancy. Now, we have it in pesticides and this goes all the way to the little old lady in tennis shoes. And she could have been my mother coming in with this dead robin before the Senators saying this is

what pesticides do. Or the fourth and fifth graders that Senator Clara Wisenborn, dedicated legislator, don't misunderstand me, who got that little blond-eyed girl to come in and put her hands in a prayer position before her white face and said, "Senator, save me tomorrow!" Just try to lobby against something like that.

Then, we have got solid waste. Certainly, one of our genuine concerns. As we look to the future and to agricultural integration where we have 15 to 20,000 cattle; incidentally, 20,000 cattle produce 564 tons of manure daily! I have that fact memorized! They have machines now that will even make you smell nicer! I suppose most of us will have to walk through that thing every morning before we go to work before long. It will tell whether you are using the right stuff or not!! Environment concerns by the public are just beginning to have a real impact on Agriculture. It is part of the pollution binge we are in. We certainly have had some positive accomplishments in this area. I would like to think that the pesticide Applicator Law, that farm organizations, and Agri-business organizations developed together with help from O. S. U. and by now I hope that most of you realize that it isn't legislators that write these laws. Most of us lobbyists like to blame some on them, mostly those parts that do not turn out to be very well taken by industry. Really, industry can and should and does, in most instances, write most of these things upon themselves. Sometimes you wonder why. Because they don't always work out the way they are put down, just like plans.

On the national scene, we have EPA, Environmental Protection Agency. Now the design of that is certainly to take Agriculture off the "hot spot" and to remove it from where there are decisions or questions. It takes some time. Martin, I don't know how much time it takes for an administrator to become a leader. I don't know whether he has to join the forces with the naturalists and the bird lovers and chew an issue before all the people accept him. In EPA, we have an administrator and those four or five divisions which came to EPA from other governmental agencies.

And they are still going their own separate ways. Beautiful! It's very little different than it was in the old days when they belonged to the other governmental agencies. Maybe this is good. Thank God, we don't get anymore laws than we pay for. This could happen here. Maybe the very fact that they are all cut up and going their own ways may actually benefit Agriculture. In the long run, however, we need knowledgeable, dedicated people in Washington as well as here at our own Statehouse.

### Agriculture and Transportation

I would like to just hit the transportation dilemma. Martin mentioned you know that we have some stations and lines closing up. This is true in Ohio, and I would say that actually our North and South railines are in real jeopardy of remaining alive. The east and west lines give us less concern. We have a bankrupt railroad on our hands, and you would only have to listen to Bill Moore, President of the PennCentral, to think you ought to buy stock in the line! Bill came from a southern railroad, a great opportunity in the future, and risked his career by accepting the job that the Court appointed to head up the reorganization of the Penn Central. He has a lot of things going for him because he believes people will make the difference! Of course, they will. But he has got quite a people's task on his hands.

Let's move to No. 3. I see fewer farmers, and fewer grain dealers, but not necessarily fewer elevators. Now, it's just common sense that when we get the hands of production agriculture into fewer faces, fewer people, we probably need less places to serve them as far as grain is concerned. However, it is very interesting to me to rehear today what people said 12 years ago when I came to Ohio - that half the elevators would be gone in five years! Well, it wasn't even true in 10 years. It won't be true in 15 years. Because we have some management know-how,

because we have had some flexibility, we have moved into other areas that were productive where farm people needed service. I think grain is probably going to channel into those places where the board and management have planned well, where they have set up their resources in such a way that they are going to handle incoming grain, and more important, they are going to sell the fact that they are bargaining, that they are getting top dollars for their farmer's grain. This doesn't mean that you call Landmark and Ohio Farmers and say we got four cars on the track today. You bargain with your own cooperative folk, too!

Well, I see more warehouses and grain dealer laws. I suppose I see it in part because we put together quickly - too quickly - passed it in the last week the Assembly was in operation, a law that the Legislature Service Committee botched up pretty well because they didn't know the difference between grain dealers and warehousemen. I suppose some of our own errors are in there too along with some from the Ohio Department of Agriculture. We are especially concerned because we at least have one farm organization that is marketing grain and doesn't license under the law or at least is not licensed to date!

I see increased bargaining strength by production farmers to get more dollars. We see this all the time. It is going to take the form of contracting, and I suspect again that it is going to take the form where creative management sells the people that they are bargaining. It is going to mean that some of our bigger warehouses down in the southwest will go into the east and get their markets the same as the terminals used to do.

I see a new breed of manager coming on. Now some of this is going to come from our Technical Schools; some is certainly going to come from Ohio State or other places; or people are going to take up the challenge, especially when we get larger places of business and we are not going to be afraid to be creative. We are going to be the real leaders! The Boards are going to have an opportunity from time to time to really develop some dynamic operating policies because they are

going to have to! If they don't, managers are going to leave them out. The board better have the leads on some things. I think this is a beautiful problem for a board to have; a manager they can hardly hold. I think we have had this in Ohio for quite a long period of time, but I think I see this more and more - a literal sway of forces of the lobbying of the farm organizations and agri-business. We, in Ohio, have had a tremendous relationship. That doesn't mean we have agreed. Every once in a while somebody says, "I understand that Farm Bureau Federation just sleeps in bed with you guys down there and do whatever you say." Gee, I don't know what Bill does when he hears that, but I just about roll. You ought to hear some of the arguments we get into. We do not get into personalities, but with issues. We do not always agree, but when we come out of that conference with our industry, or Farm Bureau Federation, or OGFFA, we would like to do this or do that - we have to have an agreement of minds. That is the way you are going to get legislation through an Urban Legislature!

I often see a lot of comfortable managers, and comfortable board of directors - especially after you have had a real good year. Let's not rock the boat; let's just sit here. We had a real good year. Let's not do anything more. Let's not move on ahead. This is passe - the pace of today doesn't allow it.

Let's talk about new technology and I don't know where you go on this one. This is a place where you need certainly a scientist to talk about it with something exciting like ERTS, or Earth Resources Technology Satellites which will observe every spot on the earth every 18 days - where we will not only have better weather information but we are going to gain soil moisture, have some idea of crop stresses, diseases, and drought. We have hardly touched on the horizon of this future. It's challenging but there for us if we will just grasp it and build for tomorrow!

#### Summary

I see more dollar profit for those who are willing to create and risk their future. The dollar's profit for the on-going organization that is going to be here



tomorrow will not be here for the most satisfied board and satisfied directors that are real pleased with last year's financial statement. I really think that we are going to have a swing from this "consumerism" which is a part of the pesticide of guarantees of leading labels, etc. because of cost. Look at what we have done already with pesticide application - cost wise. Look what happened to these insurance companies when they found out that to apply pesticide you had to have insurance. They doubled and tripled in six months. They have taken many farmers off the rope as far as applicators are concerned who would normally do \$1,000 or \$2,000 of application a year. I'm not sure they should have been doing it. But certainly the law was not set up to take people out of the application business.

I see some positive, clean air and practical solid-waste programs on the road. I think as more and more of our people who are in positions of authority see what the costs will be, then we are going to get more practical, down-to-earth programs. One of the things that we sweat out is who are we going to bring to Columbus to head up our Ohio Department of Agriculture? We came through the past 8 years with a tremendous guy. All the good guys don't necessarily have Republican white hats; however, Democrats can take some pleasure in the fact that Gene Abercrombie, we believe, will do a tremendous job for Ohio Agriculture. He is not going to have all the right answers. None of us would. But he listens; I think he uses an extreme amount of judgement, and he is a management man. When you get as big as the Ohio Department of Agriculture is, you need management-oriented people. Gene fits this role well.

So, I see fewer grain elevators; I see better bargaining and sharper transportation needs. I wouldn't stand here and tell you that we are going to get a loan for Penn Central or what is going to happen. But I have a lot of belief in the ingenuity of our grain people - of the transportation people - that there are

going to be means found to take this grain to market - whether it goes barge or how it is going to go. Whatever the means, we will move forward.

I see better qualified management and better oriented boards. I suppose every speaker you hear compliments you for coming, and I certainly should be among those for I think this is important. I hope we have irritated you a little bit, for I hope we open up things that burn you a little and get you to ask some questions. You are not going to get qualified as managers or board members unless once in a while you get confused. I'm convinced that very little education goes on until someone gets confused. Then, you must have enough stuff to get out of the confusion stage into the education stage.

I hope the message is clear but quality and performance is going to determine the payoffs. In fact, I say, what a decade ahead! I would like to pass that on for the closing, because to me this tells the story about business and tomorrow - whether we are talking five years or when we are talking. This is a quote by R. B. Ragsdale, Vice President of Engineering, General Motors Corporation, who says: 1. "Business will continue to go where invited and remain where appreciated. Don't ever forget this. To me, this is just as important as creative management. When somebody behind that counter kind of makes you feel like a person - not a number. He says I'm glad to have your business, not by what he said but by the smile and by the concern about some of your problems. Yes, showing some empathy but striking up the positive side. This you must learn to do everyday.

2. "People will go right on doing business with friends." I still am going to Fostoria to buy my Chevrolet. Now, there is probably other dealers, maybe better dealers, but there is nobody any friendlier to George Greenleaf.

3. "That performance will continue to outsell profits."

4. "That enthusiasm will continue to be as contagious as ever." If you are not really enthusiastic about country elevators - about the service industry that

you are in - about the board on which you serve - and about your beliefs, you ought to get out.

5. "That know-how will surpass guess-how." That is why country elevators are still going to have a role, because they are going to have the know-how in the areas of pesticides and service areas that they will continue to serve.

6. "That trust and not trick will keep customers loyal and coming back."

Thank you for being good listeners, and I hope you do a real good job in the year ahead for Ohio folks!

## SUMMARY REMARKS

by  
C. N. Griffith  
Landmark, Inc.

I feel that there is a responsibility incumbent upon each of you in your cooperatives. Today, you have been looking down the road to 1976 and beyond. Several years ago I heard a Management Specialist talking about the future. When he opened his remarks, he said there are three things we know about the future. First, it won't be like the past. Second, it won't be what we think it is going to be. Third, change will be more rapid than ever before. He came out with a slogan that I saw used at a Cooperative Directors and Managers meeting which you have seen several times; it isn't new; but we are faced with it: "The rate of change of change."

In our lengthy discussion of the questions that were asked here today, you are showing the thinking of real leaders and don't forget that you who are leaders must never cease to learn more about the future and about your cooperatives. One thing I would say in closing is simply this. There are times gentlemen when we go about our day-to-day activities as managers and directors of cooperatives with some problems that are humdrum, difficult, unsurmountable seemingly. But I would ask you once in a while to step back and look at the contribution that you are making to your organizations and realize it is worthwhile.

Carl Sandburg wrote a book, Remembrance Rock, and in it he said two things. There are two things about an organization that we must never lose sight of that causes organizations to go down to defeat or perish when we lose sight of these

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Advanced Cooperative Directors' Clinic, Center For Tomorrow, Columbus, Ohio,  
February 16, 1971.

two things:

1. They forget where they came from.
2. They forgot what brought them along.

You and I know where our organizations came from when people wanting to work together to do things for themselves. Take credit gentlemen for helping to bring these outfits along. Years hence someone will enjoy the cooperatives and benefits thereof because of your contribution you are making right here today. Would you join with me in giving a round of applause to this fine panel for their work this morning and this afternoon.